1986 Annual Financial Report

Regional
NIAGARA

87-06045/

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Incorporated in 1969, the Regional Municipality of Niagara is the upper tier of a two tier level of Government located in the Niagara Peninsula in the Province of Ontario. It encompasses a geographic area of 719 square miles and serves a population of over 370,000 who live and work in twelve distinct Area Municipalities comprised of 5 cities, 5 towns and 2 townships.

The Province created the Region with the idea of providing an area with common geographic, economic and social characteristics: a balance of diverse interests within the area for economic stability: an adequate tax base for the equalization of fiscal disparities and use of modern technology: region-wide benefits in terms of economic scale where the Area Municipalities accept a Regional jurisdiction as an integral part of their own local responsibilities.

These characteristics are reflected in the Region's logo which is a stylized map of the Region in green and blue. The Niagara River and Welland Canal both internationally known resources are highlighted in the design and coloured blue. The rest of the Region is green signifying the agricultural and environmental areas that are characteristic of the Region. The colour green also represents growth and development. The Niagara Region is characterized as one geographic area which illustrates the unity of the existing municipal structures.

MESSAGE FROM THE CHAIRMAN & CHIEF ADMINISTRATIVE OFFICER

The Region consolidated the administration of all of its activities into one building centrally located between the cities of St. Catharines and Thorold for easy access to all Area Municipalities.

Several factors characterize the operations of Regional Government in 1986 as a year of considerable significance to its citizens. The accompanying financial statements are only one such factor which attests to the integrity and the overall fiscal management of this government unit.

After seventeen years, Regional Government can look at the services it provides with pride and a sense of accomplishment. The initiatives taken by Regional Council in 1986 ensured that these services will continue to be in the best interest of Niagara's residents and will be improved where necessary.

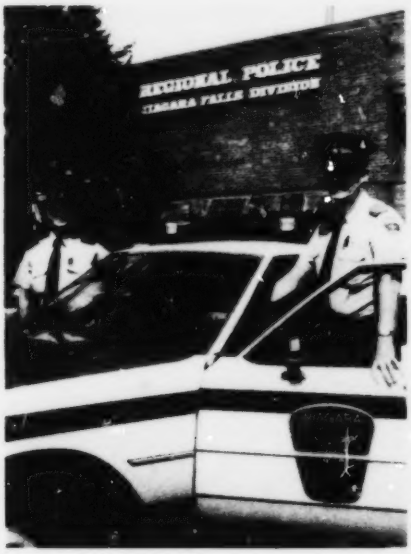
New Initiatives in Administration

In 1986, new initiatives were taken in the administration of Regional Government. Several departments were reorganized to better reflect responsibilities and Council revised the scope of the office of the Chief Administrative Officer to encourage and ensure management control and accountability.

Improved Police and Emergency Services

Protecting the Region's citizens and providing for their well being throughout the year is one of Regional Government's largest expenditure items. After an extensive period of discussion, Council took the first step in 1986 towards implementing the Emergency 911 telephone system. It approved the system in principal since it recognized the benefits of the service to Niagara's residents. However, Council also recognizes the costs associated with the service and in this regard has taken steps to ensure that the system will be implemented in the most cost effective manner.

Maintaining and improving the level of Police services is an important consideration of Regional Government each year. In 1986, several steps were taken towards this end. The most significant being approval of a $2.4 million computerized dispatch and records entry system designed to enhance record keeping and police response relating to criminal activities. This system will be implemented in three stages over several years. Construction of a new Police dispatch office in the City of Port Colborne will also aid in improving the services to the citizens in the surrounding area.



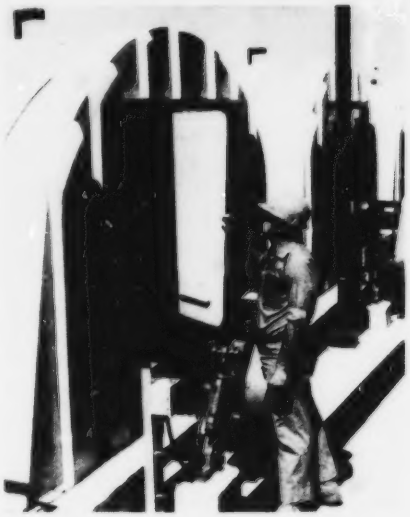
Maintaining the Region's Road System

Concerned about deteriorating conditions in the Region's 959 kilometre road systems, Council approved a study in 1986 to measure the quality of road surface. In addition to determining road work priorities the study will assist in determining long term goals which would bring the system up to acceptable standards on a continuing basis. This step will not only help to correct deficiencies but also result in future economic benefits through the establishment of an improved preventative maintenance program.

Providing a Clean Environment

The imposition of new regulations by the Ministry of the Environment governing the operations of the Region's sewer and water systems plus Council's realization that some of the existing plants would need upgrading, put financing of these systems, high on Council's Agenda in 1986. The possibility of extraordinary user rate increases to maintain these systems and the even greater possibility of higher levels of debt financing were some of the significant factors considered. In formulating a program of financing which stabilizes rate increases and debt accumulation, projects are being prioritized to meet new standards and in certain respects, to satisfy increasing demands on the systems. The Province and Federal Governments are also being petitioned to commit additional revenues to assist the Region in its Capital expenditure goals. We anticipate positive steps in this direction in 1987 and beyond.

Waste disposal was in the center of the many items that are still being considered by Regional Council. In 1985 the Ontario Waste Management Corporation (OWMC) chose the Township of West Lincoln as the best potential site for the location of the Province's new toxic waste treatment and disposal facility. That decision prompted Council to establish an Ad-hoc Committee with staff support under the Chief Administrative Officer to monitor and keep Council informed of future decisions taken by the OWMC. Because of the potential environmental concerns the site poses to the Region, this monitoring process will ensure that the final decision with respect to location and operation of the site will take into account the concerns of all Niagara's citizens.



Disposal of household garbage is also of concern to Regional Government despite the fact that jurisdiction lies with the Area Municipalities. In 1986 the final stage of a three stage Waste Management Master Plan Study initiated by the Region and the Province with co-operation of the Area Municipalities was completed. The objective of the plan is to devise a long term strategy whereby disposal of household garbage can be accomplished in a most cost efficient manner while taking into account considerations such as the environment and other community concerns expressed through public hearings and the local Area Councils. The Province is in full support of the plan's objectives and the Region will play a co-ordinating role to ensure satisfactory disposal of solid waste in the future.

Taking Care of Our Citizens

The well being of our community was given a boost with the approval of two new Homes for the aged to be located in the Towns of Niagara-on-the-Lake and Fort Erie. The two new homes will add an additional 160 beds to the existing 892 bed capacity provided in the four Senior Citizens Residences operated by Regional Government. Occupancy in the new homes are scheduled for late 1987 and early 1988.

Another important community service is that of Day Care for Niagara's children. The Region administers an active program with a budget of over $1.4 million. Services are provided from five major centres along with private home care and other services which are purchased. On a daily basis, approximately 1,000 children receive care through an integrated program which also caters to children with special needs. In 1986, 150 new spaces were made available which would allow for greater flexibility in administering and providing Day Care services in the Region.

The Region's Health Services Department plays a key role in ensuring our citizens are protected against communicable and other diseases. Health Services offices are located in several Area Municipalities designed to provide easy access to citizens. New programs were introduced in 1986, most notable of which were in the areas of inspection, dental and nursing care. Steps are also underway to restructure the administration of the department which should improve services and strengthen its role in the various communities.

Planning for Growth and Development

Ensuring growth and development in the Region requires a well defined plan which applies to all forms of land uses, having regard for the social, economic and environmental concerns. The Region's Planning and Development Department administers the Region's Policy Plan which provides the basis for all existing and future land uses. Close co-ordination is maintained with the Official Plan requirements for each of the twelve Area Municipalities to assure orderly development. In 1986, the Region processed 1,851 development applications and efforts are now underway to review the Policy Plan to ensure flexibility in accommodating physical and other growth demands.

Regional Government is playing an active part in keeping Niagara's economy viable. The Niagara Regional Development Corporation has initated new programs designed to encourage small businesses into the area and to assist existing ones with expansion plans. These initiatives are being recognized as evidenced by an upward shift in the Region's credit rating in 1986 from AA (low) to AA.

The results of these and other initiatives are reflected in the fact that the Welfare case load which is financed in part by the Region, was down considerably in 1986 as is the Region's unemployment rate. Housing starts and value of permits issued are up encouraged by improved cost of financing and a stronger income base.

A vital component of the Region's economy is its tourist industry. Niagara's many natural physical attributes coupled with such features as the Welland Canal shipping route and the Shaw Festival Theatre attracts well over 14 million visitors annually to the area. The Niagara Region Tourist Council serves as one of the main sources of information and in promoting the Region as an attractive place to visit. The newly formed Welland Canals Lands Society which acts as an umbrella agency for various organizations situated in the Welland Canal area is presently formulating a strategy for developing the Welland Canals corridor along which points of interest, from Port Dalhousie in St. Catharines to Port Colborne, would become tourist attractions adding to the existing strong base of tourist activities which presently exist in Niagara.

MESSAGE FROM THE CHAIRMAN & CHIEF ADMINISTRATIVE OFFICER

Preparing for the Future

We expect the Region's economy will continue to improve in 1987 and beyond. These improvements however, will bring increasing pressure to bear on the Region's infrastructure requirements such as roads, sewer and water facilities. Nevertheless, we feel confident that with the continued co-operative efforts of the Region, the Area Municipalities and the Provincial Government, we can satisfy the demands of our growing communities. Indeed, this can be accomplished with the sound fiscal management policies adopted to date which are reflected in the attached financial statements and Council's strong desire to keep future costs within reasonable and affordable limits.

Wilbert Dick
Regional Chairman

Michael Boggs
Chief Administrative Officer

To the Chairman and Members of Regional Council:
Attached are the statements attesting to the financial operations for the Regional Municipality for the year 1986. Our Auditors, Crawford, Smith & Swallow, have examined these statements and I am pleased to report that in their opinion the results represent fairly the financial position of the Region as of December 31, 1986.

This acknowledgment coupled with the fact that the financial operations were concluded with a surplus characterize sound management and the co-operation of all those concerned to keep the financial health of the Region in good order.

One indication of our fiscal strength and integrity was given in late 1986. At that time, the Canadian Bond Rating Service upgraded the Region's debentures by removing the "low" designation from our rating. This action represents a significant departure after three years from the time the Region received its first rating of AA (low). The revised rating to "AA" means that the Region's debentures are considered to be of a very good quality and provide much of the same level of protection as those rated "AAA".

In 1986, Council approved current budgetary expenditures that were designed to keep the level of Regional services satisfactory and in line with approved policies and objectives. The final decision was guided by Council's direction adopted in 1985 instructing each Regional department to "exercise the utmost restraint in the preparation of their budgets" despite extraordinary expenditures which were largely beyond Council's control.

Significant impact on the Region's expenditure and debt levels also resulted from the approved capital budget for 1986. Pressure was brought to bare on financing for the Region's sewer and water systems resulting from new Provincial regulations and growth in the residential sector. The total capital expenditure was approved at $27.7 million of which approximately $10 million will have to be debentured. Reserves provided $5.4 million, the tax levy $1.8 million and the remainder funded from Provincial grants and subsidies.

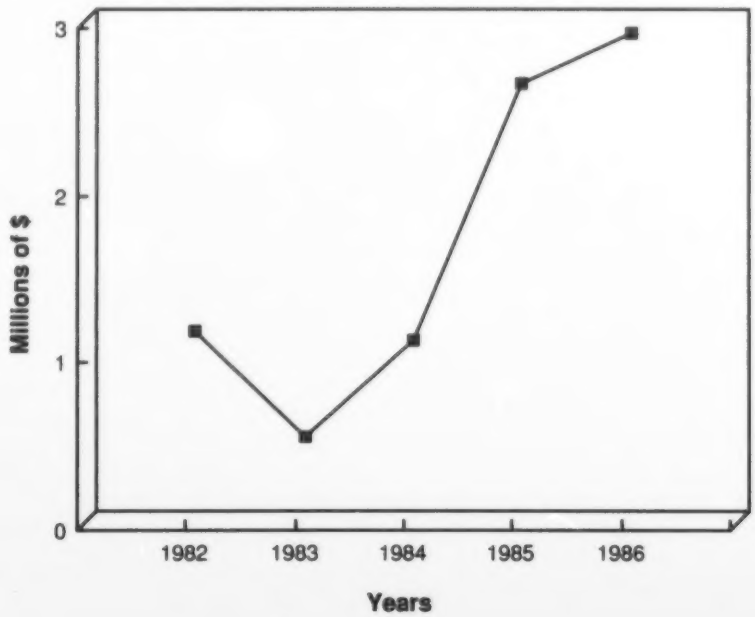
A comprehensive review of the budget process was mandated by Council and this is presently underway. This review will strengthen current budget practices and also lead to improved decision making.

New emphasis is being placed on improving efficiencies in conducting the Region's financial affairs. In 1986, a full review of the Finance Department's organization was conducted. This resulted in a restructuring of internal reporting responsibilities which will improve staff productivity.

Following a brief setback with the development and implementation of the electronic data processing system, a new financial system is being put in place with good results to date. This system will undergo further development and refinement to the benefit of all Regional departments. A Computer System Master Plan is scheduled for 1987 to provide a long range comprehensive guide to computing and information processing for the Region.

Financial planning is considered essential to the realization of cost efficiencies. This involves not only substantive changes in policy areas but also procedural changes that will allow for informed and improved decision making. The review of

Current Operating Surplus Balances 1982-1986



existing policies which affect financial planning is an ongoing process and in 1986, steps were taken that affected spending practices as they relate to debt accumulation and other areas such as reserve fund contributions.

The impact of the decisions taken in 1986 can be demonstrated by highlighting certain aspects of the financial operations. These are as follows:

Year End Position

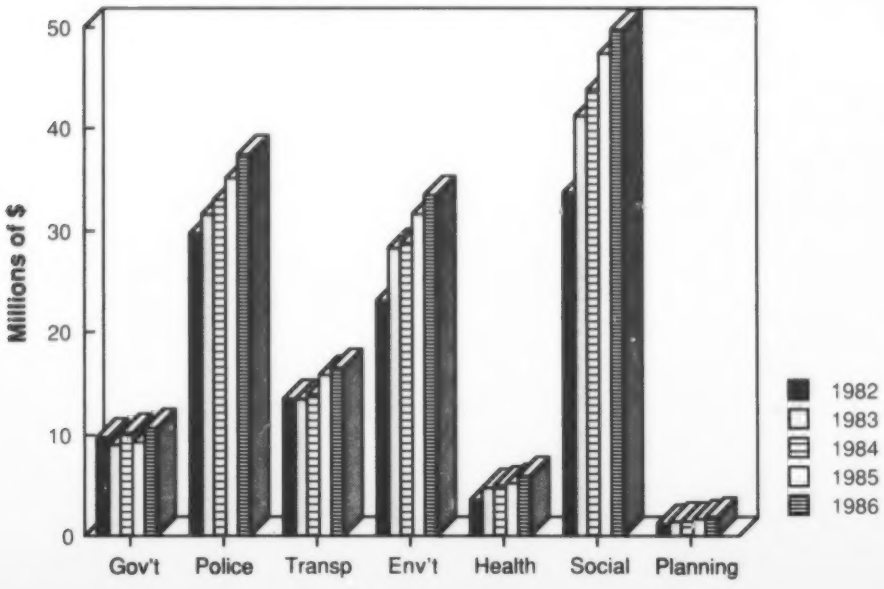
With respect to the financial operations in 1986, the Region concluded the year with a surplus of $2.9 million which is in keeping with the results of the last several years. The 1986 surplus was due in part to actual expenditures that were lower than the amount approved in the budget by about $640 thousand and revenues that were greater than what was anticipated by approximately $1.7 million. Although the surplus will be used to lessen the tax levy in future years, it is important that steps be taken to reduce continued reliance on this as a source of current budget funding.

1986 Expenditures

For 1986, Council adopted operating budget expenditures for all departments and boards totalling $156 million. This was approximately 6.7% over the actual expenditures recorded in previous years. However, with inflation running at an average rate of 4.1% in 1986, it is clear that the introduction of new and/or expanded programs was held to the minimum. In fact, the most significant expenditure initiatives were taken in the form of contributions to reserves as financing strategies were approved to meet future liabilities in areas such as accumulated sick leave, self-insurance and other contingencies. The actual expenditures at year end amounted to $155.4 million; down 0.4% as a result of lower than anticipated expenditures for the Police, Environmental, Health and Social Services.

Expenditures for Social Services dominated spending for the various service functions provided by the Region. This reflects the growing need to finance new programs specifically relating to social welfare in the field and the related administration costs. Police protection and environmental services are also significant cost centres, each of which are influenced to a large extent by demands that are beyond full control of Council.

Current Expenditures by Function 1982-1986



1986 Revenues

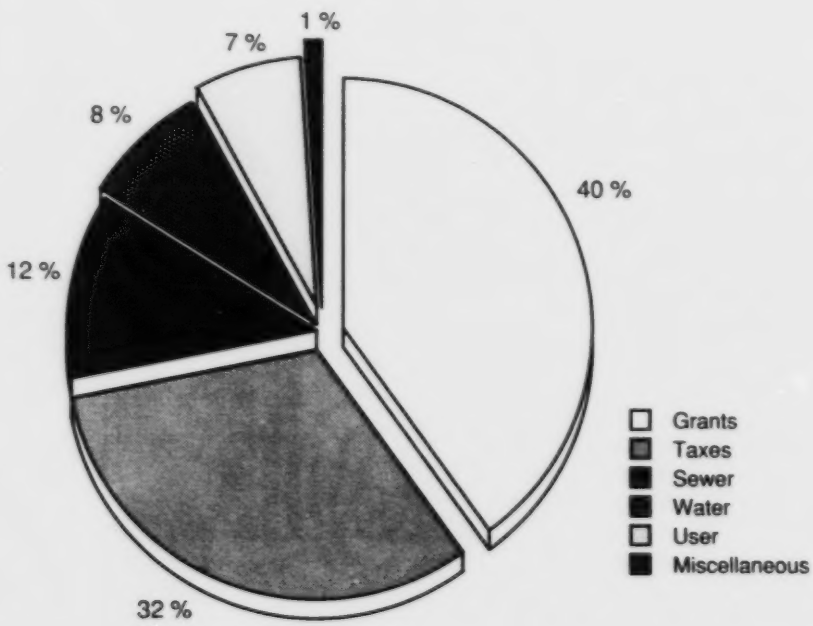
On an annual basis, the Region receives its revenues from two main sources. These are revenues from taxes, and grants from other levels of government such as the Province. In 1986, actual revenues received including those from user fees for sewer and water services, amounted to $155.7 million.

In preparing the budget for 1986, a total of $154.0 million in revenues was anticipated. However, increased supplementary taxes due to an active building market and greater than expected sewer and water flows pushed the actual amounts received upwards. On the other hand, investment income which is becoming a significant source of finance was anticipated at $1.1 million. However, interest rates declined during the year which was a major positive factor in the active building sector but with the result that the actual amount earned from investment income was lower than budget by about 5%. Approximately 39% of the Region's revenues were derived from Provincial grants. In 1986, there was a slight increase in unconditional grants because of an enrichment in the general support grant and growth in household numbers.

The tax levy against the Area Municipalities for general purposes increased by 8.1% in 1986 when compared to the annual average rate of change of 10.3% recorded for the previous five years, 1981 to 1985. However, the true impact of this change on the individual taxpayer is known only after the rate of assessment growth is taken into account. Between 1985 and 1986, assessments grew on average by 0.9%. Therefore, the impact on the taxpayer after assessment growth was in fact an increase in burden of 7.2%.

A continuing concern to Area Municipalities is the question of apportionment of the levy. Much has been said about the method used to determine the apportionment, and in particular, the use of equalization factors as developed by the Province. In summary, however, equity is of primary importance and, in this regard, steps are being taken to review methods that will lead to satisfactory solutions.

Current Revenues-1986



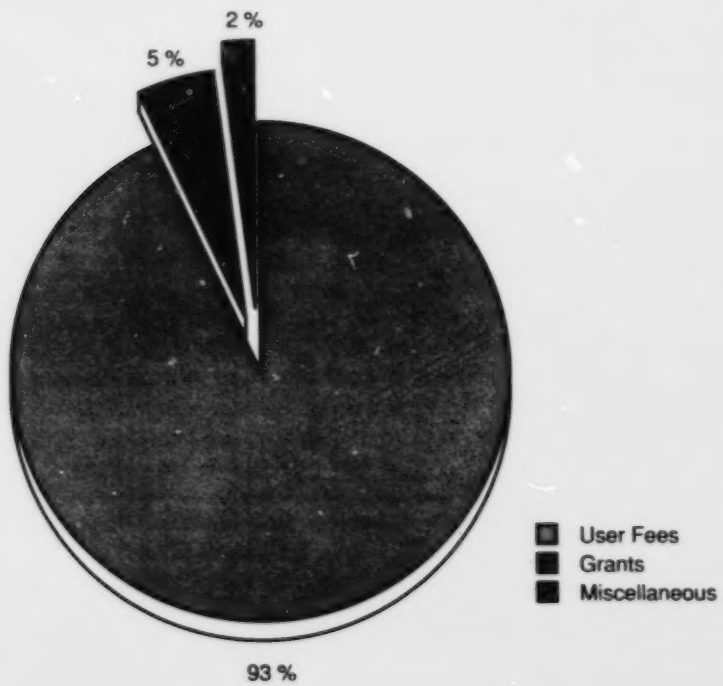
1986 Sewer and Water Operations

Sewer and water operations are financed on a self-supporting basis through user charges calculated to recover all related costs. In 1986, the rates were increased by approximately 6% from the previous year's level.

Several factors had to be taken into account in setting the rates within reasonable and affordable limits. Of major importance were the provision of capital infrastructure related debt charges and the desire to work towards a "pay-as-you-go" financing strategy for the future. The new rates generated flow payments which in total amounted to $14.1 million.

The Ministry of the Environment's goal is to strengthen its standards for sewage and water works plant operations. This, along with pressures on existing plant capacity as a result of new housing development throughout the Region are having a significant influence on expenditures. To ensure rates remain stable, new financing strategies are being implemented to meet these potential influences; in particular, limits on debt accumulation with provisions of additional current funds to meet future requirements and greater emphasis on prioritizing capital projects to minimize expenditures.

Financing Sewer and Water Operations-1986



1986 Capital Operations

Sixteen million dollars was spent to provide Regional capital works in 1986. This level of expenditure was guided in part by the knowledge that major capital works would be required in the areas of sewage and water works operations, roads rehabilitation and for Senior Citizens services.

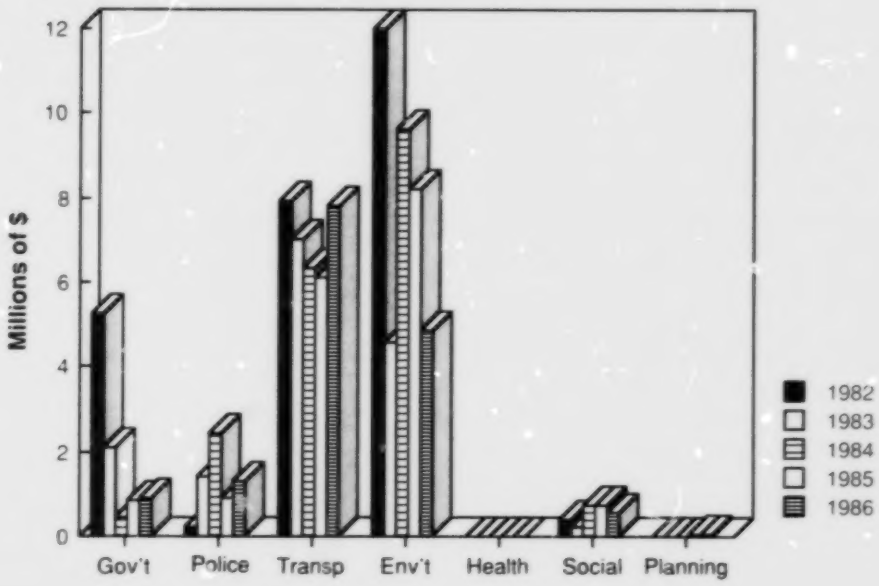
Approximately 78% of the spending program was devoted to transportation and environmental services. Council was made aware of the debilitating road conditions and approved an indepth review to establish priorities under the roads rehabilitation program.

It is anticipated that, in order to keep Regional roads within acceptable standards, approximately $50 million will have to be expended over the next five years, 1987 to 1991.

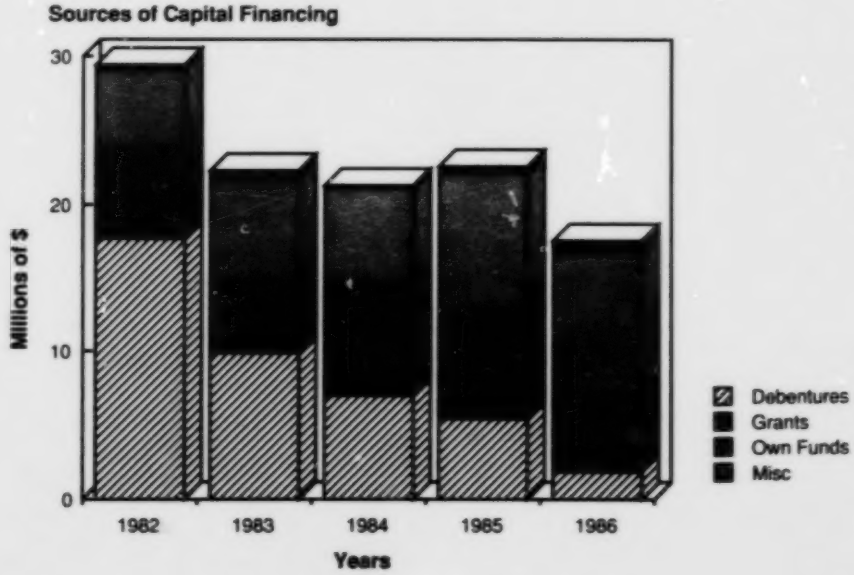
New Ministry of the Environment regulations and the fact that the Region's sewer treatment and water plants are reaching capacity were also brought to Council's attention along with anticipated costs. In response, a brief was presented to the Ministry of the Environment in which it was argued that the costs attached to meeting new standards are significant and must be shared by that Government if Niagara is to maintain affordable rates. Although the Province did not respond to all of the Region's request, new grants were made to the Region to assist in completing certain capital works. In the interim, it will be necessary to prioritize projects so as to avoid higher debt levels and maintain acceptable user rates. We will, of course, continue to pursue alternative financing sources.

Despite the possibility of higher debt levels in the future, the ultimate goal remains one of financing capital out of current funds. Towards this end, approximately 58% of capital works financing was accomplished from capital levy reserves and other reserve funds compared to 41% in the previous year. Long term debt incurred for the 1986 program amounted to $1.8 million or 10.3% of total financing, compared to 23.9% in 1985.

Capital Expenditures by Function 1982-1986



Sources of Capital Financing



1986 Debt Position

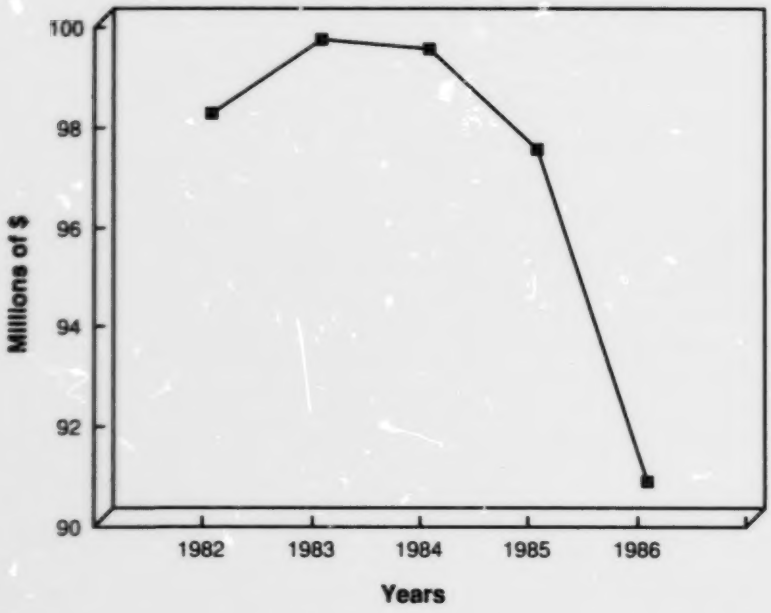
The Region's debt position remains strong due primarily to its continuing policy to substantially finance projects out of current funds. As of 1986, the Region's net long term liability stood at $90.7 million down 6.8% from the level recorded in 1985. Our debt capacity, measured by the Ontario Municipal Board's criteria, is well within acceptable limits. The Region retired $8.4 million in debt incurred for its own purposes in 1986. Over the period 1987 to 1989, it is anticipated that $34.8 million of total long term debt outstanding will be retired.

It is interesting to note however, that although debt accumulation has been decreasing at a rate of approximately 1.9% annually, debt charges have been increasing by an average rate of 6.5%. Two reasons may be cited for this. These are; our policy adopted to shorten amortization periods on new debt issues because of the difficulty in marketing longer term debt in the wake of highly fluctuating interest rates in the early 80's and the fact that lower interest rate debt was being replaced during that period, by debt with rates that were higher than the previous average.

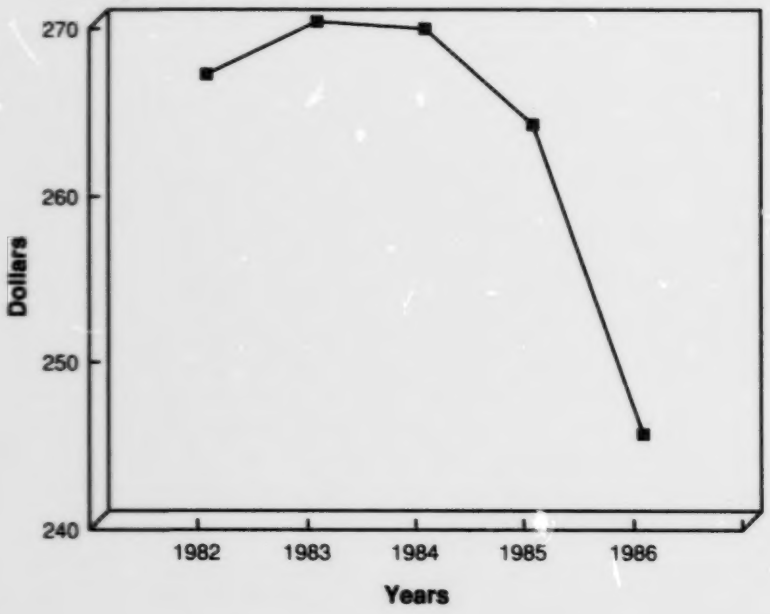
As a percentage of total expenditures, debt charges amounted to approximately 12.2%. The debt servicing component of expenditures has been declining each year due mainly to the policy to "pay-as-you-go". However, this proportion is still considered high when compared to the average of 8.7% recorded for other upper tier municipalities across Ontario.

The per capita debt for the Region stood at $245 in 1986 down 7.1% from the previous year. It has been decreasing at the average rate of 2.1% annually and compares

Trend in Debt Accumulation 1982-1986



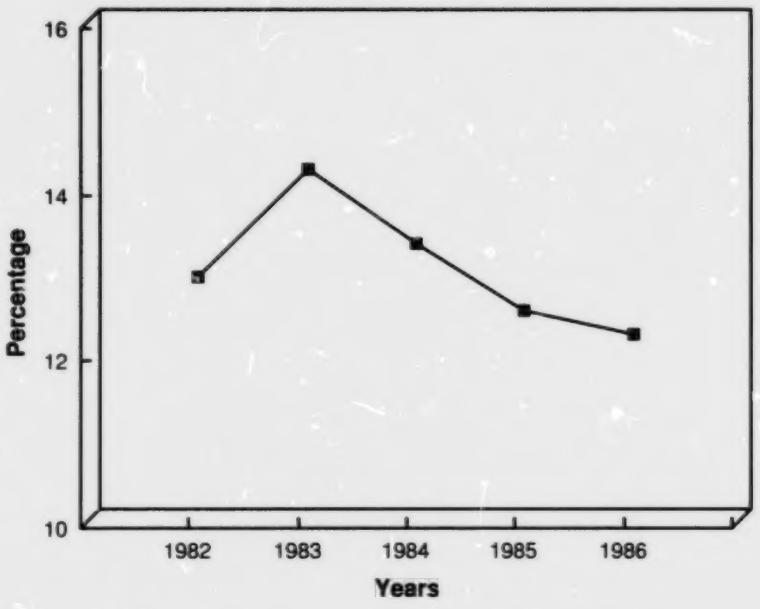
Per Capita Debt 1982-1986



favourably to the average for other Regions in the Province.

There was one debenture issue in 1986 amounting to $8.3 million. Of this issue, the amount for Regional purposes was $1.8 milliion with an average life of around 7.6 years. The issue was well received in the market and future Regional issues are expected to do even better with the renewed confidence as expressed in the revised upward rating by the Canadian Bond Rating Service in late 1986.

Debt Charges as a % of Expenditures 1982-1986



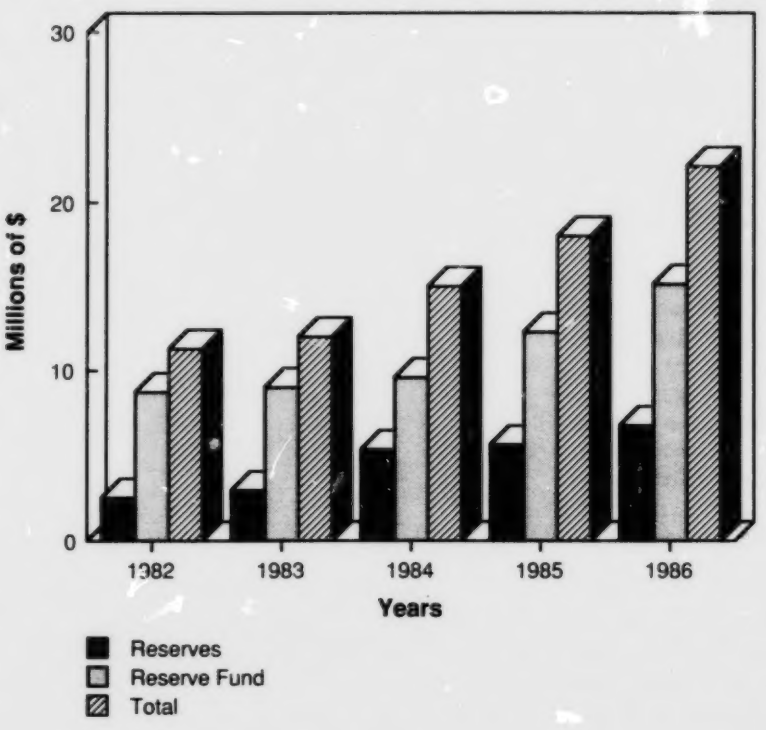
1986 Reserves and Reserve Funds Activities

Contributions to reserves and reserve funds are becoming increasingly significant because of strategies to limit debt accumulation by financing approved projects out of current funds and long range planning to provide for future liabilities.

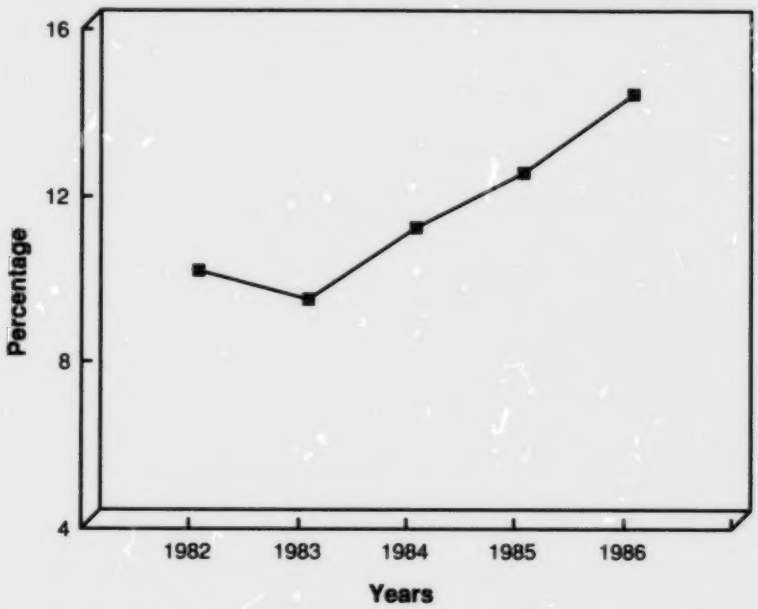
This was particularly evident in 1986 with significant contributions which were made towards the self-insurance fund, accumulated sick leave reserves and other contingency reserves. The total balance of reserves and reserve funds in 1986 amounted to $22 million up, 22% from the 1985 level.

Reserves are being used extensively to finance capital. Of the total capital expenditures in 1986, $6.5 million or 40.2% was financed from reserves. For example, reserve funds provided $4.8 million towards sewer and water operations in 1986. These funds were also used as a source of borrowing to meet day-to-day cash flow requirements.

Reserves and Reserve Fund Balances 1982-1986



Reserves and Reserve Funds as a % of Expenditures 1982-1986



As a percentage of total operating expenditures for the Region, reserves and reserve fund balances represent an average of 14.2%. This level of reserve is lower than the average of 21% reported for other Regions in Ontario. It is nevertheless significant considering the fact that Niagara does not have a development charge levy reserve which makes up approximately 32% of the reserve fund balances for Regional Municipalities across the Province.

The strategy of contributing to reserve funds is one that must be continued. However, the Region is facing new pressures to provide capital infrastructure and the outcome could be higher levels of debt. To avoid this, it would be necessary to pursue alternative sources of financing in an effort to maintain the Region's strong financial position and ensure a reasonable burden on its taxpayers.

Outlook

The financial activities of 1986 clearly demonstrate that the policies and strategies adopted by Council are working well. When viewed in the context of the Region's current economic status, it is not surprising that the Region as a whole is considered a good financial risk by the credit rating houses.

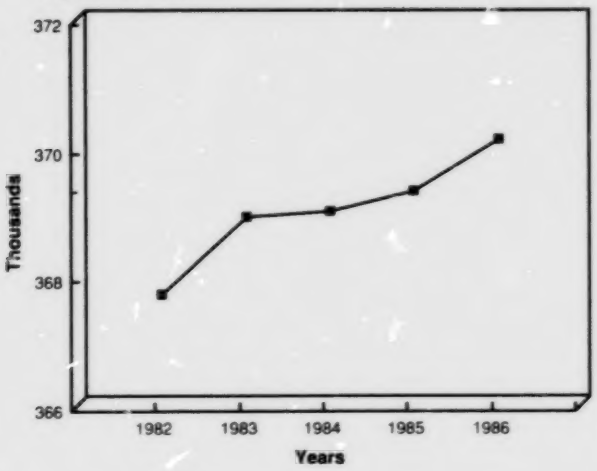
1986 was certainly indicative of the Region's current economic strength. Unemployment was at its lowest level and building construction activities had reached unprecedented levels when measured by the value of building permits issued. Capital investments by businesses displayed strong confidence with well over $151 million in investment added to the economy in 1986.

These positive trends in the economy are expected to continue and with them new and increasing demands on the region's infrastructure. Specifically, infrastructure relating to social and family services, roads and sewer and water services. In this regard, existing financial policies must continually be reviewed to facilitate flexible reallocation of resources in response to changing demands and priorities.

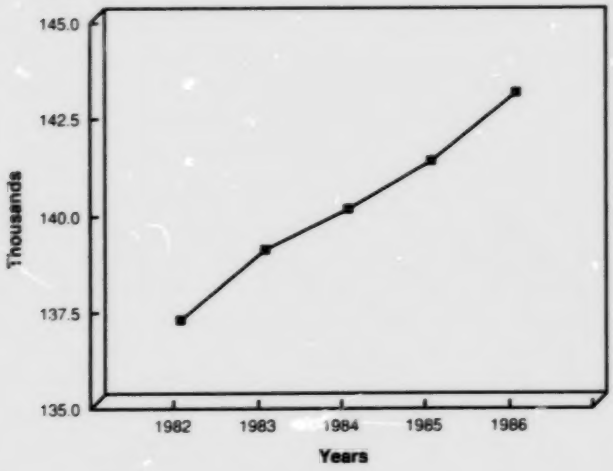
I would like to take this opportunity to emphasize that the financial results for 1986 would not have been possible without the hard work and cooperation of all Regional Staff and Members of Council. In paticular, the efforts of the staff of the Finance Department who displayed tremendous support and dedication are truly appreciated.

Mike Trojan
Treasurer

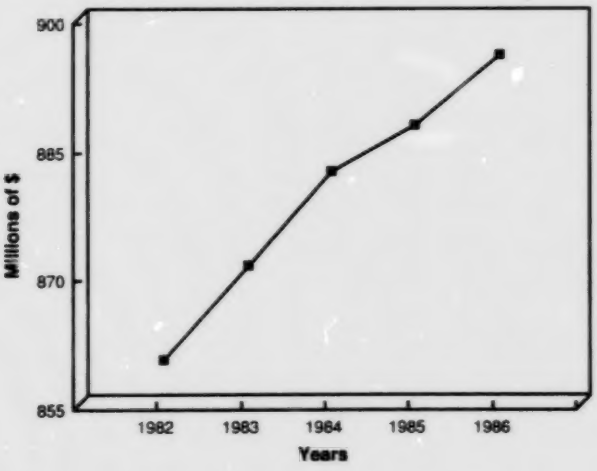
Population 1982-1986



Households 1982-1986



Taxable Assessments 1982-1986



SIX-YEAR FINANCIAL REVIEW

(All dollar amounts are in thousands of dollars, except per capita figures)	1986	1985	1984	1983	1982	1981
Population at the end of the year *	‡370,132	369,312	†369,001	368,983	367,738	369,624
Area in acres at the end of the year	459,776	459,776	459,776	459,776	459,776	459,776
Employees (continuous full time and part time)	2,169	2,106	2,059	1,901	1,920	1,958
Number of households	143,029	141,214	140,099	138,965	137,197	137,191
Assessment						
Taxable assessment upon which the year's rates of taxation were set						
Residential and Farm	$586,878	$581,628	$575,298	$562,900	$555,413	$540,374
Commercial and Industrial)	308,541	305,578	306,667	308,133	304,528	297,915
Business)						
TOTAL	$895,419	$887,206	$881,965	$871,033	$859,941	$838,289
Per Capita	2,419	2,402	2,390	2,361	2,338	2,268
Commercial and Industrial, and Business as a percentage of taxable income	34.5%	34.4%	34.8%	35.4%	35.4%	35.5%
Revenue for general municipal services						
Taxation	$80,413	$74,782	$68,984	$62,996	$57,745	$49,260
Payments in lieu of taxes	-	-	-	-	-	-
Ontario grants	62,006	59,278	56,571	53,489	45,622	42,632
Other grants	59	372	236	332	11	32
Fees and service charges	11,152	11,115	9,204	8,436	7,710	6,787
Other	2,063	1,883	1,974	3,843	1,914	2,261
TOTAL	$155,693	$147,430	$136,969	$129,096	$113,002	$100,972
Expenditure - general municipal	$155,386	$145,905	$136,389	$129,735	$113,957	$99,400
Net long term liabilities						
General municipal activities	$90,727	$97,356	$99,394	$99,569	$98,084	$84,848
- per capita	245	264	269	270	267	230
- percentage of taxable assessment	10.1%	11.0%	11.3%	11.4%	11.4%	10.1%
Charges for net long term liabilities						
General municipal activities	$18,991	$18,300	$18,130	$18,475	$14,735	$12,006
- per capita	51	50	49	50	40	32
- percentage of expenditure	12.2%	12.5%	13.3%	14.2%	12.9%	12.1%
Capital financing during the year						
Contributions from own funds	$9,944	$9,286	$6,577	$5,086	$5,223	$6,765
Long term liabilities incurred	1,799	5,390	7,057	9,891	17,710	5,353
Ontario grants	3,793	6,108	7,258	3,828	4,964	5,236
Other	1,977	1,401	345	1,360	1,587	4,290
TOTAL	$17,513	$22,185	$21,237	$20,165	$29,484	$21,644
Capital expenditure during the year	$16,181	$18,105	$20,005	$15,374	$25,989	$22,143
Accumulated net revenue (deficit) at the end of the year	2,913	2,607	1,082	501	1,139	2,094
Reserves and reserve funds	$22,022	$17,984	$14,944	$12,002	$11,344	$8,822

* Assessed population as provided by the Provincial Assessment Office
† Estimated based on past trends
‡ Census population per Statistics Canada

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AUDITORS' REPORT

To the Members of Council, Inhabitants and
Ratepayers of The Regional Municipality
of Niagara

We have examined the consolidated balance sheet of The Regional Municipality of Niagara as at December 31, 1986 and the consolidated statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of The Regional Municipality of Niagara as at December 31, 1986 and the results of its operations for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Niagara Falls, Ontario
April 30, 1987

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS

Municipal Auditors' Licence

No. 1057

Consolidated Balance Sheet

as at December 31, 1986

	1986 $	1985 $ (Note 11)
Assets		
Unrestricted		
Cash	4,610,968	1,143,422
Investments (Note 3)	24,570,593	24,723,070
Accounts Receivable	12,877,332	14,821,497
Other Current Assets	2,666,981	2,440,379
Other Long Term Assets	1,400,171	1,488,393
	46,126,045	44,616,761
Restricted		
Notes Receivable	13,590,999	10,283,148
Accounts Receivable		
Investments (Note 3)		
- current - own	501,110	380,950
- current - other	95,000	95,000
Accounts Receivable	44,278	57,560
Investments (Note 3)		
- non-current - own	84,000	585,109
- non-current - other	876,500	886,500
	15,191,887	12,288,267
Capital Outlay Financed by Long Term Liabilities and to be Recovered in Future Years (Note 1 (b))	90,727,396	97,356,335
	152,045,328	154,261,363
Liabilities		
Current		
Notes Payable	13,590,999	10,283,148
Accounts Payable and Accruals	11,990,550	14,647,619
Other	1,345,580	3,258,626
	26,927,129	28,189,393
Net Long Term Liabilities (Note 6)	90,727,396	97,356,335
Fund Balances at the End of the Year		
To be used to Offset Taxation or User Charges (Note 7)	2,739,196	2,523,510
Environment Surplus (Note 7)	173,752	83,576
	2,912,948	2,607,086
Unexpended Capital Financing (Note 7)	9,456,244	8,124,377
Reserves (Note 8)	6,829,724	5,695,905
Reserve Funds (Note 8)	15,191,887	12,288,267
	34,390,803	28,715,635
	152,045,328	154,261,363

The accompanying notes are an integral part of this financial statement.

Consolidated Statement of Operations

for the Year Ended December 31, 1986

	Actual 1986 $	Actual 1985 $ (Note 11)
Sources of Financing		
Requisitions and User Charges		
Requisitions on Other Governments	80,412,506	74,781,863
User Charges	11,152,000	11,115,343
Grants - Government of Canada	108,067	410,052
- Province of Ontario	65,799,081	65,385,925
- Other Municipalities	1,150,893	1,258,902
Other - Investment Income	2,614,886	1,969,446
- Sale of Land	85,829	90,620
- Other	864,709	516,539
Proceeds from the Issue of Long Term Liabilities	1,798,900	5,389,600
Municipal Fund Balances at the Beginning of the Year (Note 7)		
To be used to offset Taxation or user charges	2,523,510	1,066,477
Environment Surplus	83,576	15,675
Unexpended Capital Financing	8,124,377	3,726,472
Total Financing Available During the Year	174,718,334	165,726,914
Applied to		
Current Operations (Note 9)		
General Government	8,209,963	7,577,738
Protection to Persons & Property	36,816,234	34,120,182
Transportation Services	13,570,153	13,849,962
Environmental Services	27,414,522	25,926,012
Health Services	5,862,426	5,135,122
Social & Family Services	49,172,370	46,769,449
Recreation & Cultural Services	118,677	117,407
Planning & Development	1,665,903	1,535,118
	142,830,248	135,030,990
Capital Operations		
General Government	887,702	854,175
Protection to Persons & Property	1,274,232	928,679
Transportation Services	7,839,056	6,124,287
Environment Services	4,861,465	8,213,661
Health Services	24,749	23,774
Social & Family Services	538,190	749,821
Planning & Development	56,061	30,192
	15,481,455	16,924,589
Net Appropriations to Reserves & Reserve Funds	4,037,439	3,039,872
Municipal Fund Balances at the End of the Year (Note 7)		
To be used to offset taxation or user charges	2,739,196	2,523,510
Environment Surplus	173,752	83,576
Unexpended Capital Financing	9,456,244	8,124,377
Total Applications During the Year	174,718,334	165,726,914

The accompanying notes are an integral part of this financial statement.

1. Accounting Policies

The consolidated financial statements of the municipality are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) (i) Basis of Consolidation

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of Council:

- Board of Commissioners of Police
- Sewage Operations
- Water Treatment Operations

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

(ii) Non-consolidated Entities

The following local boards, joint local boards, municipal enterprises, and utilities are not consolidated:

- Community Mental Health Program
- Infant Education and Parent Training Program
- Home Care Programs
- Niagara Peninsula Conservation Authority
- Niagara Children's Aid Society
- Niagara Region Development Corporation
- Region Niagara Tourist Council

(iii) Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet".

(b) Basis of Accounting

(i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they are paid.

(ii) The accrual basis of accounting recognizes revenues as they become available and measureable; expenditures are recognized as they are incurred and measureable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(iii) Fixed Assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iv) Capital Outlay to be Recovered in Future Years

"Capital outlay to be recovered in future years", which represents the outstanding principal portion of unmatured long term liabilities for municipal expenditures or capital funds transferred to other organizations is reported on the "Consolidated Balance Sheet".

2. Trust Funds

Trust funds administered by the municipality amounting to $3,987,692 (1985 $3,656,101) have not been included in the "Consolidated Balance Sheet" nor have their operations been included in the "Consolidated Statement of Operations".

3. Investments

The total of investments of $26,127,203 (1985 $26,670,629) reported on the "Consolidated Balance Sheet" at cost, have a market value of $26,160,846 (1985 $26,669,632) at the end of the year.

4. Liability for Past Service Provision of Pension Agreements

Under the past service provision of pension agreements, the municipality is obligated at December 31, 1986 for an amount of approximately $3,911,015 (1985 $4,200,993) as established for the plans. No provision has been made for this liability. An amount of $626,058 (1985 $626,058) has been provided for in the current year and is reported on the "Consolidated Statement of Operations".

5. Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the municipality's employment.

The liability for these accumulated days to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to $12,151,937 (1985 $11, 875,106) at the end of the year. The actuarial liability for the accumulated sick leave entitlements or the present value of projected benefits payable under the plan amounted to $8,749,395 (1985 $8,550,076). An amount of $1,063,908 (1985 $663,908) has been provided for this past service liability and is reported on the "Consolidated Balance Sheet". An amount of $400,000 (1985 nil) has been provided for in the current year and is reported on the "Consolidated Statement of Operations". It is the municipality's practice to fund this liability through current operations.

6. Net Long Term Liabilities	1986 $	1985 $
(a) The balance of the net long term liabilities reported on the "Consolidated Balance Sheet" is made up of the following:		
Total long term liabilities incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	147,031,125	150,834,607
In addition, the municipality has assumed responsibility for the payment of principal and interest charges on certain long term liabilities issued by other municipalities. At the end of the year, the outstanding principal amount of this liability is	1,863,800	2,683,873
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by municipal enterprises and other municipalities. At the end of the year, the outstanding principal amount of this liability is	(51,973,404)	(50,972,740)
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	(4,433,162)	(3,628,326)
The balance in the Ministry of the Environment Debt Retirement Fund which has been accumulated to the end of the year to retire the outstanding long term liabilities included above, amount to	(1,760,963)	(1,561,079)
Net long term liabilities at the end of the year	90,727,396	97,356,335

(b) Of the net long term liabilities reported in (a) of this note, $34,751,485 in principal payments are payable from 1987 to 1991, $20,173,586 from 1992 to 1996, and $35,802,325 thereafter and are summarized as follows:

	1987 to 1991	1992 to 1996	1997 and thereafter
from general municipal revenues	10,494,146	2,553,301	
from sewage operations	14,808,985	10,010,497	20,501,365
from water operations	9,448,354	7,609,788	15,300,960
	34,751,485	20,173,586	35,802,325

(c) Approval of the Ontario Municipal Board has been obtained for the long term liabilities in (a) issued in the name of the municipality.

(d) The Municipality is contingently liable for long term liabilities with respect to tile drainage and shoreline property assistance loans and for those for which the responsibility for the payment of principal and interest has been assumed by other municipalities, school boards and unconsolidated local boards, municipal enterprises and utilities. The total amount outstanding as at December 31, 1986

is $4,433,162 (1985 - $4,046,326) and is not recorded on the "Consolidated Balance Sheet".

7. Municipal Equity at the End of the Year

(a) The balances on the "Consolidated Statement of Operations" of municipal equity at the end of the year are comprised of the following

	1986 $	1985 $
- For General Reduction of taxation	2,739,196	2,523,510
- Environment Surplus	173,752	83,576
- Funds available for the acquisition of fixed assets	9,456,244	8,124,377
	12,369,192	10,731,463

(b) Approval of the Ontario Municipal Board has been obtained for the pending issue of long term liabilities and for those commitments to be financed from revenues beyond the term of Council.

8. Reserves and Reserve Funds

The total balance of reserves and reserve funds of $22,021,611 (1985 $17,984,172) is made up of the following:
Set aside for specific purpose by Council

	1986 $	1985 $
Reserves:		
Workers' Compensation	1,143,643	1,011,185
Working Funds	1,492,170	1,484,763
Accumulated Sick Leave	1,063,908	663,908
Insurance Deductible	1,247,238	698,971
Health Unit Capital Exp.	26,521	26,521
Contingency	714,843	601,986
General Property Acquisition	373,149	373,149
Building Standards	126,575	233,233
General Capital Levy	386,002	602,189
Encumbrance	255,675	-
	6,829,724	5,695,905
Reserve Funds:		
Equipment Replacement	2,300,254	1,830,438
Sewer/Water Capital Levy	2,673,930	2,028,087
Welland Canal Crossing	3,321,754	3,064,238
Sewage Works Ref. Deb.	767,870	617,273
Water Works Ref. Deb.	413,448	332,359
Rate Stab. Water Works	931,680	1,008,882
Debt Stab. Sewage Works	3,723,996	2,417,330
Debt Stab. Water Works	942,380	872,079
Health Unit Future Exp.	116,575	117,581
	15,191,887	12,288,267
	22,021,611	17,984,172

9. Charges for Net Long Term Liabilities

Total charges for the year for net long term liabilities which are reported on the "Consolidated Statement of Operations" are as follows:

	1986 $	1985 $
Principal payments including payments to the Ministry of the Environment Debt Retirement Fund	8,427,839	7,427,673
Interest	10,563,571	10,872,093
	18,991,410	18,299,766

The charges for long term liabilities assumed by the non-consolidated entities or by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these statements.

10. Contingent Liabilities

The municipality is contingently liable for the following:

(i) Peel Steel - Regional Municipal Building

This is a claim regarding construction of the Regional Municipal Building. The claim is in the amount of $250,000 as the result of alleged inadequate specifications with respect to the steel fabrication for the building. A Writ has been issued naming the Region and the architects as defendants.

(ii) Savriga and Iorfida

This claim is for business losses as a result of improvements to Stanley Avenue and McLeod Road in the City of Niagara Falls. This claim totals approximately $75,000.

(iii)D'Intino

This claim is for loss of business caused by expropriation of their lands and construction at the Lakeshore/Lakeport/Ontario Street intersection in the City of St. Catharines. This claim is for approximately $142,000.

Any settlement resulting from the resolution of any contingency is expected to be accounted for as a charge of the period in which the settlement occurs.

11. Prior Year's Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

Schedule 1 Analysis of Current Operations

for the Year Ended December 31, 1986

	1985 Actual $	1986 Actual $	1986 Budget $	Budget Comparison Over (Under) $
Revenue				
Requisitions and User Charges:				
Requisitions on other Governments	74,781,863	80,412,506	78,587,546	1,824,960
User Charges	11,115,343	11,152,000	10,934,790	217,210
Grants				
Government of Canada	371,693	58,817	27,670	31,147
Province of Ontario	59,277,791	62,006,071	62,418,885	(412,814)
Other				
Investment Income	853,340	1,003,195	1,061,000	(57,805)
Other	1,030,089	1,059,675	997,108	62,567
Total Municipal Current Revenue	147,430,119	155,692,264	154,026,999	1,665,265
Less Appropriations from Other Funds	526,261	417,427	476,547	(59,120)
Net Municipal Current Revenue	146,903,858	155,274,837	153,550,452	1,724,385
Expenditures and Appropriations				
General Government	9,205,140	10,508,901	10,751,434	(242,533)
Protection to Persons & Property	35,048,587	37,596,535	38,594,668	(998,133)
Transportation Services	15,904,960	16,421,347	16,324,681	96,666
Environmental Services	31,606,792	33,415,951	31,657,317	1,758,634
Health Services	5,158,896	5,978,821	6,208,519	(229,698)
Social & Family Services	47,323,203	49,669,623	50,756,147	(1,086,524)
Recreation & Cultural Services	117,407	118,677	67,100	51,577
Planning & Development	1,540,200	1,676,547	1,667,133	9,414
Total Municipal Current Expenditures	145,905,185	155,386,402	156,026,999	(640,597)
Less Appropriations to Other Funds	10,874,195	12,556,154	9,811,744	2,744,410
Net Municipal Current Expenditures	135,030,990	142,830,248	146,215,255	(3,385,007)
Excess of Net Municipal Revenue Over Net Municipal Expenditures	11,872,868	12,444,589	7,335,197	5,109,392
Net Appropriations to Other Funds	10,347,934	12,138,727	9,335,197	2,803,530
Surplus (Deficit) for the Year	1,524,934	305,862	(2,000,000)	2,305,862
Surplus at the Beginning of the Year	1,082,152	2,607,086	2,000,000	607,086
Surplus at the End of the Year	2,607,086	2,912,948	-0-	2,912,948

Schedule 2 **Analysis of Capital Operations**

for the Year Ended December 31, 1986

	Actual 1986 $	Actual 1985 $ (Note 11)
Funds Provided By		
Long Term Liabilities Incurred	1,798,900	5,389,600
Government of Canada Grants	49,250	38,359
Province of Ontario Grants	3,793,010	6,108,134
Other Municipalities	1,150,893	1,258,902
Investment Income	469,285	317,788
Other	308,290	103,331
Appropriations from other Funds		
- current operations	3,436,489	3,516,453
- reserves	1,096,271	447,356
- reserve funds	5,410,858	5,322,632
	17,513,246	22,502,555
Funds Used For		
General Government	887,702	854,175
Protection to Persons & Property	1,274,232	928,679
Transportation Services	7,839,056	6,124,287
Environmental Services	4,861,465	8,213,661
Health Services	24,749	23,774
Social & Family Services	538,190	749,821
Planning & Development	56,061	30,192
Transfers to Reserves and Reserve Funds	699,924	1,180,061
	16,181,379	18,104,650
Unexpended Capital Financing for the Year	1,331,867	4,397,905
Unexpended Capital Financing at Beginning of Year	8,124,377	3,726,472
Unexpended Capital Financing at the End of the Year	9,456,244	8,124,377

Schedule 3 **Analysis of Reserves**

for the Year Ended December 31, 1986

	Total $	Workers' Compen-sation $	Working Funds $	Accum. Sick Leave $	Insurance Deduct. $	Health Unit CAP Exp. $
Balance at the Beginning of the Year	5,695,905	1,011,185	1,484,763	663,908	698,971	26,521
Appropriations From (To):						
Current Operations	2,171,050	132,458	21,237	400,000	548,267	-
Capital Operations	(1,037,231)	-	(13,830)	-	-	-
Balance at the End of the Year	6,829,724	1,143,643	1,492,170	1,063,908	1,247,238	26,521

	Contingency $	Gen. Prop. Acq. $	Building Std. $	Gen. Cap. Levy $	Encumbrances $
Balance at the Beginning of the Year	601,986	373,149	233,233	602,189	-
Appropriations From (To):					
Current Operations	185,857	-	104,342	523,214	255,675
Capital Operations	(73,000)	-	(211,000)	(739,401)	-
Balance at the End of the Year	714,843	373,149	126,575	386,002	255,675

SUPPORTING SCHEDULES

Schedule 4 **Analysis of Reserve Funds**

for the Year Ended December 31, 1986

	Total $	Equipment Replacem't $	Sew/Water Capital Levy $	Welland Canal Crossing $	SewWorks Refundable Debentures $
Balance at the Beginning of the Year	12,288,267	1,830,438	2,028,087	3,064,238	617,273
Revenue					
Interest Earned	1,142,406	161,361	293,207	273,465	53,097
Contributions from Current Operations	6,692,715	909,422	4,505,694	-	97,500
Contributions from Capital Operations	640,884	-	640,884	-	-
	8,476,005	1,070,783	5,439,785	273,465	150,597
Expenditures					
Contributions to Current Operations	161,527	-	-	-	-
Contributions to Capital Operations	5,410,858	600,967	4,793,942	15,949	-
	5,572,385	600,967	4,793,942	15,949	-
Balance at the End of the Year	15,191,887	2,300,254	2,673,930	3,321,754	767,870

	Waterworks Refundable Debentures $	Rate Stab Water Works $	Debt Stab Sewage Works $	Debt. Stab Waterworks $	Health Unit Future Expenditure $
Balance at the Beginning of the Year	332,359	1,008,882	2,417,330	872,079	117,581
Revenue					
Interest Earned	28,589	73,577	179,067	70,301	9,742
Contributions from Current Operations	52,500	-	1,127,599	-	-
Contributions from Capital Operations	-	-	-	-	-
	81,089	73,577	1,306,666	70,301	9,742
Expenditures					
Contributions to Current Operations	-	150,779	-	-	10,748
Contributions to Capital Operations	-	-	-	-	-
	-	150,779	-	-	10,748
Balance at the End of the Year	413,448	931,680	3,723,996	942,380	116,575

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AUDITORS' REPORT

To the Members of Council, Inhabitants and
Ratepayers of The Regional Municipality
of Niagara

We have examined the balance sheet of the trust funds of The Regional Municipality of Niagara as at December 31, 1986 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as explained in the following paragraph.

The trust funds of The Regional Municipality of Niagara derive receipts from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these receipts was limited to the amounts recorded in the records of the trust funds.

In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph these financial statements present fairly the financial position of the trust funds for The Regional Municipality of Niagara as at December 31, 1986 and the continuity of trust funds for the year then ended in accordance with accounting principles disclosed in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Niagara Falls, Ontario
April 30, 1987

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS

Municipal Auditors' Licence

No. 1057

Statement of Continuity
for the Year Ended December 31, 1986

	Total $	Residents' Trust Accounts $	Trust Funds Retained for Residents $	Donated Surplus $
Balance at the beginning of the year (Note 2)	3,656,101	3,410,199	227,687	18,215
Capital Receipts				
Residents' Deposits Net	5,827,190	5,827,190	-	-
Interest Earned	290,687	265,418	23,364	1,905
Donations	13,706	-	3,861	9,845
	6,131,583	6,092,608	27,225	11,750
Expenditures				
Residents' Withdrawals Net	5,775,050	5,775,050	-	-
Expenditures for the benefit of residents	24,942	-	20,543	4,399
	5,799,992	5,775,050	20,543	4,399
Balance at the End of the Year	3,987,692	3,727,757	234,369	25,566

Balance Sheet
as at December 31, 1986

	Total $	Residents' Trust Accounts $	Trust Funds Retained for Residents $	Donated Surplus $
Assets				
Cash	669,114	409,179	234,369	25,566
Investments	3,361,000	3,361,000	-	-
Accrued Interest	50,645	50,645	-	-
	4,080,759	3,820,824	234,369	25,566
Interest to be apportioned	79,603	79,603	-	-
Due to the Regional Municipality of Niagara	13,464	13,464	-	-
	93,067	93,067	-	-
Fund Balance	3,987,692	3,727,757	234,369	25,566
	4,080,759	3,820,824	234,369	25,566

Note

1. Accounting Policy
Sources of receipts and expenditures are reported on the accrual basis of accounting with the exception of Residents' deposits and donations which are recognized as revenue in the year in which they are received.

2. Investments
The total of investments of $3,361,000 (1985 $3,006,000) recorded on the Balance Sheet at cost, have a market value of $3,361,000 (1985 $3,006,000) as at the end of the year.

Finance Department Management Staff

M. T. Trojan, CMA
Treasurer and Director of Finance

S. Bacchus, B.A., M.A., J.D.
Assistant Director
Administrative & Fiscal Services

P. Crow
Assistant Director
Supply & Services

C. Briggs, C.A.
Assistant Director
Accounting

D. MacDonald
Manager
Budgets & Capital Financing

W. Fowler
Manager
Computer Services

A. Pizycki, C.A.
Manager
Payroll & General Accounting

M. LeBlanc, A.M.C.T.(A)
Administrative Assistant

Other Financial Agencies

Auditors
Crawford, Smith & Swallow

Bankers
Canadian Imperial Bank of Commerce

Managers of Fiscal Agency
Dominion Securities Limited
Levesque, Beaubien Inc.
Wood Gundy Limited

Fiscal Solicitors
Tilley, Carson & Findlay

Insurers
Frank Cowan Company Limited

Regional Department Heads

M. H. Boggs
Chief Administrative Officer

J. J. Burns
Regional Solicitor

A. R. Pierson
Regional Clerk

M. T. Trojan
Director of Finance

J. D. Schofield
Director of Personnel

J. E. Shoveller
Acting Chief of Police, Niagara Regional Police Force

A. Veale
Director of Planning

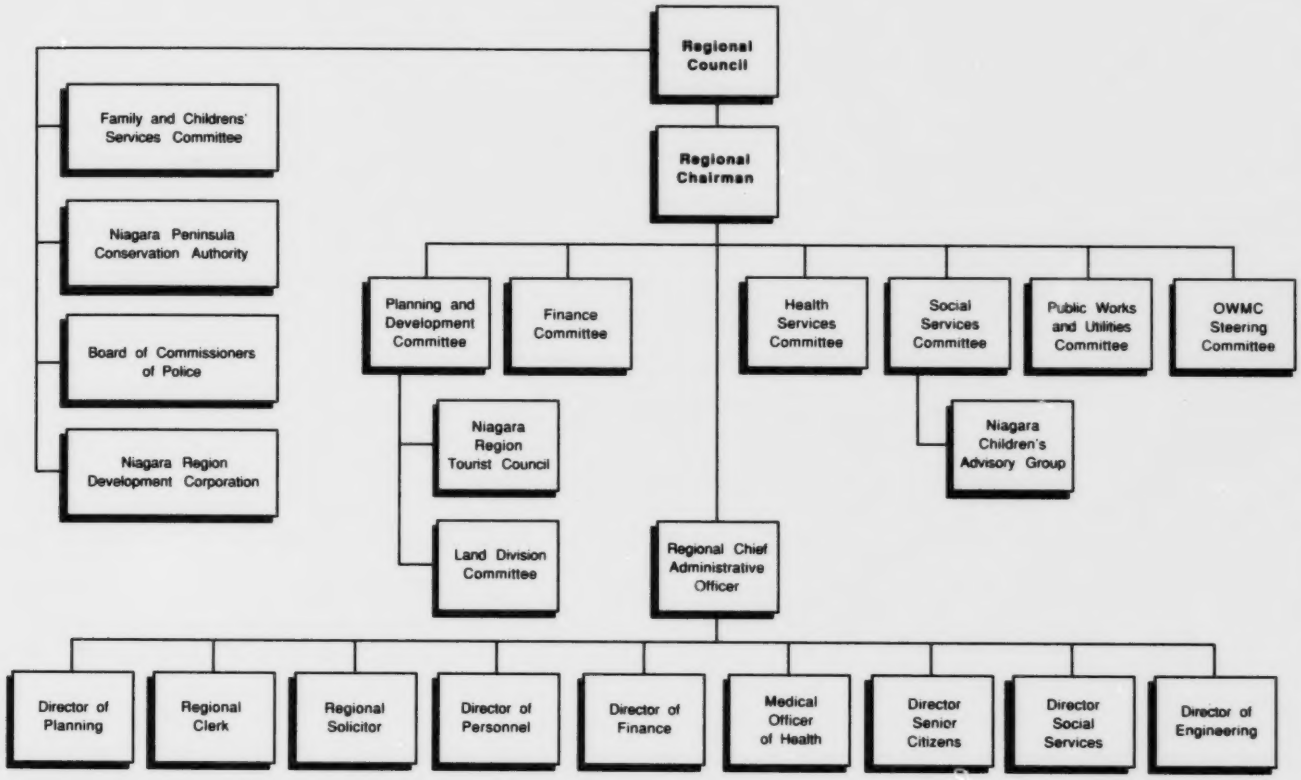
C. H. Eidt
Director of Engineering

D. H. Rapelje
Director, Senior Citizens Department

M. Fraser
Director, Social Services Department

Dr. A. Carter
Acting Medical Officer of Health

ORGANIZATION OF REGIONAL GOVERNMENT



Regional Council 1985-1988

Chairman: Wilbert N. Dick

Cities

Niagara Falls
Douglas A. Mann
Brian Merrett
William Smeaton, Mayor
Peter Sobol

Port Colborne
William Augustine
Robert Saracino, Mayor

St. Catharines
Michael Collins
William Dickson
Eleanor Lancaster
William J. Marshall
Joe McCaffery, Mayor
J. Trevor Morgan
Robert W. P. Welch

Thorold
William Longo, Mayor
Mal Woodhouse

Welland
Roland Hardy, Mayor
Al Lacavera
Loyola Lemelin

Towns

Fort Erie
Heinz Hummel, Mayor
John Teal

Grimsby
Ronald W. Book
Ross E. Hall, Mayor

Lincoln
Gladys Huffman
Ray A. Konkle, Mayor

Niagara-on-the-Lake
Harold Clement
Jim Marino, Lord Mayor

Pelham
Eric Bergenstein, Mayor

Townships

Wainfleet
Stan Pettit, Mayor

West Lincoln
Allard Colyn, Mayor